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Fresh Produce Market Brief Update

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Product Brief

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Report Highlights:

In 2010, South Korea's fresh fruit and vegetable imports rose significantly due to improvements from the economic downturn of the previous year. Fresh fruit imports from the United States were worth \$205 million, up by 56 percent from the previous year, with the U.S. maintaining dominant market shares for citrus and fresh cherries. Fresh vegetable imports were relatively small, amounting to \$10 million. The Korea-U.S. Free Trade Agreement is expected to boost the competitiveness of many goods through tariff cuts and the lifting of various import barriers.

General Information:

Section I. Market Summary

A. Executive Summary

Consumption of fresh produce showed strong positive growth rates from 2006 to 2009. Improved economic conditions are allowing Korean consumers to consider quality and diversity on a greater scale while grocery shopping.¹

Table 1: Consumption of Fresh Fruits and Vegetables in South Korea²

<i>Kg per capita</i>	2006	2009	% change 2006-2009
Vegetables	253.6	263.8	4.0
Fruits	60.9	65.2	6.9

Korea's total imports of agricultural products from the world amounted to \$23.8 billion (KOTIS) in 2010, up by 21 percent from the previous year. Imports from the United States were valued at \$6.1 billion, accounting for 26 percent of total goods³. The value of imported U.S. agricultural products rose 32 percent from the previous year and was closer to figures seen before the economic downturn of 2009.

Fresh fruit imports from the U.S. totaled \$205 million in 2010, up by 56 percent from the previous year. Citrus fruits comprised over two-thirds of the market with a net worth of \$140 million, followed by fresh cherries at \$31 million, and fresh grapes at \$9.5 million. Fresh vegetable imports from the U.S. amounted to \$10 million in 2010, mostly in the form of potatoes and lettuce.⁴

KORUS FTA

The Korea-United States Free Trade Agreement (KORUS FTA) was concluded in December 2010 and is pending in the national assemblies of both countries for ratification. According to the American Farm Bureau Federation, full implementation of the agreement could result in up to \$1.6 billion in additional U.S. agricultural exports. The agreement is expected to boost the competitiveness of U.S. produce by means of applying tariff reductions or elimination,, and new tariff rate quotas (TRQs) for various goods. With the agreement, close to two-thirds of U.S. farm products imported by Korea will become duty free immediately (classified under staging category A). Category A items include a number of fresh fruits and vegetables such as cherries, table potatoes, cabbage, limes, leeks, asparagus, eggplant, and cucumbers, among others.⁵ Tariff phaseouts of varying lengths will apply to many more items such as oranges, Chinese (Napa) cabbage, cauliflowers, and artichokes. The USTR web-site details the agreed effects of the KORUS agreement by the harmonized system (HS) of tariff codes:

The detailed tariff schedule for Korea can be viewed at:

http://www.ustr.gov/sites/default/files/uploads/agreements/fta/korus/asset_upload_file786_12756.pdf

'Annex 2B (Tariff Eliminations)' provides a definition of staging categories A through K:

http://www.ustr.gov/sites/default/files/uploads/agreements/fta/korus/asset_upload_file904_12701.pdf

'Korea General Notes' provides a definition of staging categories L through Z:

http://www.ustr.gov/sites/default/files/uploads/agreements/fta/korus/asset_upload_file584_12758.pdf

B. Advantages and Challenges for U.S. Fresh Produce

Advantages	Challenges
Korea's fresh produce consumption is expected to remain high while domestic cultivation acreage is decreasing. Consumers view U.S. products to be of good to superior quality as the income increase,	Korea's tariff-rate quota barriers are quite high; under normal weather conditions their application on major vegetables limit trade.

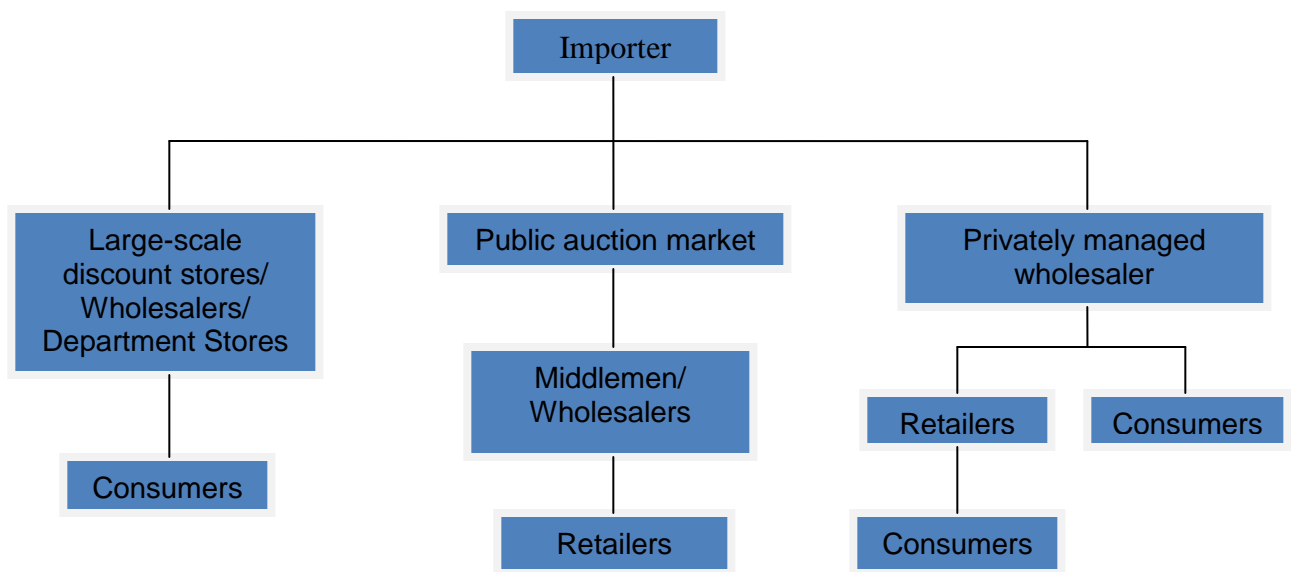
diversity of luxury health products is demanded.	
In the case of a weather induced production shortfall, Korea is likely to import goods in large quantities at the in-quota rate (e.g. fresh onions). Opportunities for sustained growth exist that grow better or in more varieties in the U.S. than in Korea. (E.g. fresh beans, carrots, asparagus, lettuce, broccoli, cauliflower, etc.).	Consumers are generally biased toward locally produced goods; Korea's production of fruits and vegetables is large and the harvest coincides with peak U.S. production, implying head-to-head competition.
Few import barriers for fruit with little or no competition for products such as oranges, cherries and lemons.	Products from the U.S. have less shelf life relative to local or Chinese products; consumer concern over food safety and origin is high.
If approved, KORUS FTA will allow almost two-thirds of U.S. farm products to become duty free immediately. Many more will benefit from expanded market with gradual tariff phase outs.	Fumigation is mandatory for oranges and cherries. The process disqualifies any fruit from organic certification, hindering entrance into a growing and profitable market.

Section II. Roadmap for Market Entry

A. Entry Strategy

A-1. The Retail Industry

The majority of fresh produce is sold through the retail sector including traditional market. Imported fresh fruit like oranges and bananas are sold at all types of retail outlets from high-end grocery stores to traditional markets while premium quality goods like cherries, avocados and mangoes are available only at high-end grocery stores including those located inside department stores. However, cherries which is one of the hottest popular item that is sold even in the street vendors.



Since 2008, major retailing chains of department stores and hypermarkets have begun to directly purchase certain fresh items from U.S. exporters.⁶ This practice has lowered costs and improved product assortment thereby increasing market size,

reducing prices, and assuring higher levels of food safety for these items. Retailers of international origin such as *Costco Wholesale Korea* and *local based E-Mart, TESCO (HOME Plus) and Lotte* also acquire a larger part of their imported products directly through international sourcing networks including international show attendance. In general, Korean retailers still rely on independent importers for imported agricultural products.

The Korean government maintains strict regulations on food imports and requires various certificates and documents as well as product information before approving importation of a new-to-market product. Therefore, the exporter must work closely with the importer and provide necessary documents and information to meet the regulations. More detailed information on the Korean food safety and labeling regulations can be found in the FAS report #KS1102 (FAIRS Country Report, Seoul, January 11, 2011, www.fas.usda.gov)

B. Market Size, Competition, Structure and Trends

B-1 Fruit Market Summary

The total size of South Korea's fruit market was 3.25 million metric tons (MT) in 2010, up by 2.4 percent from the previous year.⁷ Korea's self sufficiency rate for fruits was 83.5 percent in 2007 with domestic fruit production in 2009 totaling 2.9 million metric tons, an increase from the previous year by 6.8 percent.⁸

Locally grown fruits are increasing, such as plums, peaches, grapes, persimmons, Asian pears, apples, and tangerines.

Table 2: Domestic Production of Major Fruits⁹
Unit: Weight – Million Metric Ton

	2000	2005	2009
Tangerine	564	638	753
Apple	489	368	494
Pear	324	443	418
Grape	476	381	333
Peach	170	223	201
Persimmon	227	235	195

Despite the variety and abundance of domestic fruits, extensive imports are required to meet demands for some of the most popular commodities, such as oranges, grapes, and cherries. In 2009 South Korea's fruit imports amounted to \$720 million, accounting for 4 percent of its total imports.¹⁰ Consumers generally identify oranges, grapes, bananas, and pineapples as representative imported fruits; kiwis, cherries, and other varieties are also being imported in increasing volumes as trends and tastes expand. South Korea imported \$205 million worth of fresh fruits from the United States in 2010, up by 56 percent from the previous year. Fresh orange imports were the most profitable, having a value of \$125 million, followed by fresh cherries at \$31 million, and fresh grapes at \$9.5 million.¹¹ Citrus dominates South Korea's fresh fruit market in terms of volume and value. In 2010, amounted to 1.2 million MT, making up 36 percent of the volume of the entire market. Fresh grapes and cherries had the second and third largest market volumes at 563,000 MT and 183,000 MT, respectively.¹²

I. Oranges

The United States is the top supplier of fresh oranges to South Korea. In 2010, the trade value increased by over 70 percent from the previous year with orange imports from the United States having a value of \$125 million. Oranges comprised 61 percent of all fresh fruit imports from the United States in 2010 despite rising competition from South Africa and Chile and a withstanding import tariff of 50 percent. However, implementation of the KORUS agreement is expected to further competitiveness by establishing a new TRQ and tariff phaseout scheme.

Table 3: Imports of fresh orange (HS 0805.10.0000)¹³

Unit: Value - US\$1,000; Weight – MT

Yearly	South Africa		Chile		U.S.A		Other		Total	
	Value	Weight	Value	Weight	Value	Weight	Value	Weight	Value	Weight
2006	4,000	3,900	1,600	1,500	117,000	118,000	900	820	123,000	124,500
2007	2,200	2,200	2,200	1,900	101,000	71,500	2,600	2,100	108,000	77,700
2008	3,100	2,900	3,200	2,700	104,000	101,000	1,100	900	111,000	108,000
2009	2,600	2,800	2,900	2,400	73,000	65,600	500	500	79,000	71,000
2010	1,700	1,700	4,400	3,200	125,000	105,000	270	260	131,000	110,000

Increasing preference for oranges from South Africa and Chile since 2007 has affected the volume of U.S. imports, although the U.S. dominates the market with a share of 96 percent. Locally produced mandarins are not in direct competition with orange imports due to their different tastes and seasonal availabilities (November through January for mandarins and December through June for imported oranges).¹⁴

Upon implementation of the KORUS FTA, Korea's current 50-percent tariff on oranges imported during the out-of-season period (March 1-August 31) will be reduced to 30 percent immediately and subsequently eliminated in six equal annual reductions. The out-of-season tariff reduction benefits almost 70 percent of current U.S. orange exports to Korea. Moreover, a duty-free quota will be established during the in-season period (September 1-end of February), entailing an initial quantity of 2,500 tons, with continuous 3-percent annual compound growth. The over-quota tariff will remain at the current MFN (Most Favored Nation) rate of 50 percent.¹⁵

II. Grapefruit and Lemon

Other citrus items such as grapefruit, lemons, and limes are mostly supplied through foreign imports. The entry of grapefruit and lemons has been aided by a fall in import duties from 44 percent in 1997 to 30 percent in 2004. Imports of U.S. grapefruit were worth \$8.6 million in 2010, up by 67 percent, whereas imports from Israel dropped in value by 31 percent. The competitiveness of U.S. imports can be expected to rise further due to the upcoming KORUS FTA. With the agreement, Korea's current 30-percent tariff on lemons and grapefruit will be eliminated in 2 years for lemons and 5 years for grapefruit in equal annual installments.¹⁶

Table 4: Imports of grapefruit including pomelos (HS 0805.40.0000)¹⁷**Unit: Value - US\$1,000; Weight – MT**

Yearly	Israel		U.S.A		Other		Total	
	Value	Weight	Value	Weight	Value	Weight	Value	Weight
2007	0	0	6,400	5,900	26	480	6,400	5,900
2008	350	340	5,100	4,600	-	-	5,400	4,900
2009	1,300	1,300	5,100	4,500	-	-	6,400	5,700
2010	900	780	8,600	7,100	-	-	9,500	7,900

Table 5: Imports of lemon (HS 0805.50.1000)¹⁸**Unit: Value - US\$1,000; Weight – MT**

Yearly	U.S.A		Other		Total	
	Value	Weight	Value	Weight	Value	Weight
2006	5,400	4,300	650	560	6,000	4,900
2007	7,800	4,300	570	400	8,300	4,700
2008	8,500	4,700	650	420	9,200	5,100
2009	5,500	4,400	780	720	6,300	5,100
2010	6,500	4,670	1,300	970	7,800	5,600

III. Grapes

Imports of fresh grapes from the United States totaled \$9.5 million in 2010, up by 71 percent from the previous year. Although tariffs remain unchanged at 45 percent, imports are quickly catching up to pre-recession figures. In general, South Korea imports fresh grapes from the United States and Chile at different seasons of the year—from October through January and February through May, respectively. However, due to the Korea-Chile FTA signed in 2004 preferential access is given to Chilean grapes. Domestic grape varieties include Campbell, Seredan, and Kyoho ('Gerborg'); imports include Red Globe and Thompson varieties. Nonetheless, Chilean imports dominate the fresh grape market as the Korea-Chile FTA (signed in April 2004) reduces tariffs to 12.4 percent from the general duty rate of 45 percent.¹⁹ Chilean grape imports were valued at \$74.6 million in 2010, an increase of 45 percent from the previous year.

With the KORUS FTA, Korea's current 45-percent tariff on U.S. table grapes during the out-of-season period (October 16-April 30) will be reduced to 24 percent immediately and subsequently eliminated in four equal annual reductions. The out-of-season tariff reduction benefits roughly 70 percent of current U.S. table grape exports to Korea. The current in-season (May 1-October 15) tariff will be phased out in 17 years in equal annual installments.

Table 6: Imports of fresh grapes (HS 0806.10.0000)²⁰

Unit: Value - US\$1,000; Weight— MT

<i>Yearly</i>	Chile		U.S.A		Other	Other	Total	Total
	<i>Value</i>	<i>Weight</i>	<i>Value</i>	<i>Weight</i>	<i>Value</i>	<i>Weight</i>	<i>Value</i>	<i>Weight</i>
2006	27,800	15,200	4,800	2,100	-		32,600	17,300
2007	47,400	23,500	10,500	4,300	120	70	58,000	27,800
2008	64,200	29,500	7,200	3,000	-		71,400	32,500
2009	51,600	26,100	5,500	2,400	-		57,100	28,400
2010	74,600	30,900	9,500	4,100	-		84,100	35,000

IV. Cherries

In 2010 the U.S. exported close to \$31 million worth of cherries to South Korea, up by 30 percent from the previous year. The U.S. is also dominant in the market for fresh cherries, holding a 93 percent share in 2010. Imported sweet cherry cultivars include Tulare, Brooks, and Bing varieties, the latter being favored by Korean consumers for its sweetness and color.

However, minor exporters are supplying increasing volumes of the fruit. New Zealand exported roughly \$2 million worth of fresh cherries to South Korea in 2010, up by 16 percent from the previous year. Other suppliers included Australia, the Netherlands, and Singapore. Korea's FTAs with Chile and Singapore lower tariffs for imported cherries to 7 percent and 11 percent, respectively, compared to a general tariff rate of 24 percent. However, the KORUS-FTA is expected to boost the competitiveness of U.S. cherries further by rendering them immediately duty free upon entry into force.

Table 7: Imports of fresh cherries (HS 0809.20.0000)²¹

Unit: Value - US\$1,000; Weight – MT

<i>Yearly</i>	New Zealand		U.S.A		Other		Total	
	<i>Value</i>	<i>Weight</i>	<i>Value</i>	<i>Weight</i>	<i>Value</i>	<i>Weight</i>	<i>Value</i>	<i>Weight</i>
2006	1,100	93	11,000	1,200	19	2	12,200	1,300
2007	1,800	150	30,000	3,900	5	1	31,700	4,100

2008	2,800	230	29,000	3,200	9	2	31,900	3,400
2009	1,700	170	23,700	3,700	20	1	25,400	3,900
2010	2,000	160	30,700	3,600	320	33	33,100	3,800

V. Kiwifruit

Like fresh grapes, kiwis also have a high import tariff of 45 percent and both fruits are favored by South Korean consumers. U.S. kiwifruit are valued for their size and appearance although their share in the market remains limited.

Table 8: Imports of fresh kiwifruit (HS 0810.50.0000) ²²

Unit: Value - US\$1,000; Weight – MT

Yearly	Chile		New Zealand		U.S.A		Other		Total	
	Value	Weight	Value	Weight	Value	Weight	Value	Weight	Value	Weight
2006	12,300	8,600	45,700	20,700	4,800	2,900	22	10	62,700	32,100
2007	10,000	6,900	54,100	25,300	5,800	2,500	35	14	69,800	34,700
2008	4,000	2,500	52,900	26,400	360	150	-	-	57,200	29,100
2009	6,600	5,500	46,600	21,900	-	-	-	-	53,200	27,400
2010	7,400	5,800	48,900	22,600	200	100	1	1	56,500	28,500

B-2. Vegetable Market Summary

Vegetable consumption and production remain high in South Korea. Expanding incomes and media attention on “well-being” trends have supported the rise in per capita consumer expenditure on vegetables to \$257,000 in 2010, up by 7.9 percent from the previous year. ²³ While the cultivated area for vegetables has been falling each year at a rate of 0.6 percent, improvements in farming technology and the use of vinyl greenhouses have allowed production to increase annually by 0.9 percent. ²⁴ According to MIFAFF, domestic vegetable production amounted to 9.4 million MT in 2009, up by 0.2 percent from the previous year. Leafy stem vegetables (e.g. Chinese cabbages, cabbages) accounted for 3.1 million MT, followed by spice and culinary use vegetables (e.g. onion, garlic, red pepper) at 2.5 million MT, fruit-bearing vegetables (e.g. cucumber, tomato, watermelon) at 2.4 million MT, and root vegetables (e.g. white radish, carrots) at 1.4 million MT.

Table 9: South Korea’s domestic vegetable production ²⁵

Unit: Weight – Million MT

	2007	2008	2009
Fruit-bearing Vegetables	2.3	2.4	2.4
Leafy and Stem Vegetables	2.8	3.1	3.1
Root Vegetables	1.2	1.5	1.4
Spice and Culinary Vegetables	2.5	2.3	2.5
Total	8.8	9.3	9.4

Source: MIFAFF Statistical Yearbook 2010

Despite the variety of local vegetable crops, limited volume requires South Korea to import large amounts of vegetables from foreign markets. In 2009, total vegetable imports dropped by 26 percent from the previous year to a value worth \$395 million. Effects of the economic downturn simultaneously caused the value of U.S. vegetable imports to decrease by 15 percent, reaching \$10.7 million in 2009. Fresh vegetable imports from the U.S. amounted to \$10 million in 2010 and still face steep competition from low-priced goods from China. Generally, imports of western vegetables such as broccoli and asparagus are limited, whereas significant amounts of spice vegetables are brought in from China. China supplies up to 66 percent of Korea’s vegetable imports, supported by the rising volume of imported kimchi and contract growing of cabbage and garlic by Chinese farmers. ²⁶

A majority of imported U.S. vegetable products are used for local processing in Korea. A limited amount of fresh vegetables from the United States are sold through retailers, particularly during seasons of low domestic supplies. These include potatoes, onions, carrots, lettuce, and cabbages, with potatoes comprising a significant proportion of the trade.

Table 10: Imports of Edible Vegetables (HS code: 07) ²⁷**Unit: Value – US\$ Million**

Foreign Market	2004	2005	2006	2007	2008	2009
USA	44	14	9.7	13.4	12.7	11
China	194	198	256	282	288	262.8
Australia	8.3	7	7.2	4.6	2.4	2.1
Canada	1.2	1.1	1.2	1.7	2.1	1.7
New Zealand	4.7	5.4	8.3	13	12.1	8.7
Thailand	21	10	16	31	160	58.6
World	314	271	325	373	535	395

CATEGORY DEFINITIONS

07 - Edible vegetables

Edible vegetables and certain roots and tubers

U.S. share of Korea's growing market for imported vegetables is expected to expand with the KORUS agreement tariff cuts. Tariffs on vegetables will be eliminated in a range from immediately duty-free to 18 years. Items that will be duty free upon implementation of the agreement include fresh asparagus, shallots, leeks, cabbages, turnips, horseradish, cucumber, egg plants, spinach, pumpkins, and olives, among others. ²⁸

I. Potatoes

The United States is the leading supplier for all formats (fresh, dehydrated, etc.) of potatoes imported into South Korea. Trade is limited for fresh potatoes because the majority of consumption is supplied by local production. Frozen potato products, on the other hand, comprise close to 80 percent of the total volume of imported potatoes. ²⁹ Korea's domestic production of fresh potatoes neared 600,000 MT in 2009, a drop by 14,000 MT from the previous year. Total fresh potato imports amounted to 21,700 MT in 2010, up by 46 percent from the previous year. Close to 15,000 MT (worth \$8 million in value) was from the United States, a rise by 46 percent as well. Despite the rise in volume, the share of U.S. fresh potatoes has been dropping annually and stood at 61 percent in 2010. [See Figure 5]

Among other items, onions and fresh potatoes are imported via the Korea Agro-Fisheries Trade Corporation (aT), a government agency under the Ministry of Agriculture, Forestry, Fishery and Food (MAFF). Imported fresh potatoes are used for the manufacture of snack items such as potato chips. An import tariff of 30 percent is applied for non-seed potatoes. Local manufacturers receive access to the tariff rate quota in return for pledging to use certain quantities of locally produced potatoes. The majority of fresh potatoes are sold through retail outlets while 30 percent are used in the hotel/restaurant sector, and 10 percent for processing. Imports of U.S. potatoes fluctuate according to the success of the local harvest. Korea imports significantly greater volumes to make up for production shortfalls due to climate.

Upon implementation of the KORUS FTA, Korea's current 18 percent tariff on U.S. frozen potatoes will be eliminated immediately while its 30 percent tariff on U.S. fresh potatoes will be phased out over 15 years. All quantities of fresh potato will be able to enter duty-free during the out-of-season period (December 1- April 30), benefitting the majority of U.S. potatoes imported for use in chip manufacturing. Tariffs for the in-season period (May 1-November 30) will be phased out over the aforementioned 15 years. A new TRQ will apply to imported fresh potatoes for table use, entailing an initial duty-free quantity of 3,000 tons with continuous 3-percent annual compound growth. The over-quota tariff will remain at the current MFN rate of 304 percent.

Table 11: Imports of fresh potatoes (HS 0701-900000) ³⁰**Unit: Value - US\$1,000; Weight – MT**

Yearly	Australia		U.S.A.		Other		Total	
	Value	Weight	Value	Weight	Value	Weight	Value	Weight
2006	6,900	14,200	1,400	3,600	-	-	8,300	17,900

2007	4,300	8,000	5,100	11,000	-	-	9,400	18,900
2008	2,200	3,000	6,200	13,800	-	-	8,300	16,800
2009	2,000	3,600	3,900	8,100	-	-	5,800	11,700
2010	5,200	6,700	8,000	15,000	-	-	13,200	21,700

II. Cabbage lettuce (head lettuce)

Next to potatoes, head lettuce is the second most abundant U.S. vegetable import. However, its availability is limited to retailers of international origin such as *Costco Wholesale Korea* that are more experienced in purchasing fresh produce directly from U.S. exporters. Although Chinese imports dominate the market, U.S. lettuce is expected to benefit from the KORUS agreement, under the currently applied 45% tariff will be removed in ten equal annual stages beginning on the date the FTA enters into force.

U.S. head lettuce imports were worth \$311,000 in 2010, a rise by 0.7 percent from the previous year. The United States has the third largest share of the market, following behind China and Taiwan. China exported \$3.4 million worth of fresh lettuce in 2010, up by 380 percent from the previous year. Due to bilateral trade agreements, Singaporean imports benefit from a reduced tariff of 20.5 percent from the general rate of 45 percent; Chilean imports have access to duty-free entry.³¹

III. Onions

Among vegetable crops onions have the second greatest volume of production after domestically grown Chinese cabbages. Per capita consumption has increased over twofold from 7.4kg in 1990 to 17kg in 2008 due to changes in consumption patterns and health trends.³² Onions are used most often in the preparation of Korean-Chinese cuisine. They are staples for flavoring Korean side dishes as well as manufacturing snacks such as onion rings. Local production totaled 1.4 million MT in 2009, up by 33 percent from the previous year. Unlike other spice vegetables, onions have seen an annual increase in cultivation area by an average of 4.8 percent due to price stability.

The aT imports fresh onions under a tariff rate quota of 20,645 MT with 50 percent tariff. Exceeding the quota raises the tariff rate to 135 percent. The volume of imported onions has fluctuated significantly since 2006 due to shifting domestic production values. In 2010, abundant local production caused imports to drop to 17,665 MT, a reduction in volume by 20 percent from the previous year. U.S. imports simultaneously fell to zero as China remained the sole supplier of fresh onions in 2010. Nevertheless, South Korea imports significant amounts of U.S. onions to make up for production shortfalls as seen in CY 2006.

Section III. Market Access – Prices, Tariffs and Quotas

A. Current prices

Table 12: Current Fruit Price

Fruit	Country of Origin	Quantity	Price
Apples	Korea	7 medium size	\$5
Apples	Korea	2kg	\$3.5
Asian pear	Korea	4 medium size	\$10
Avocado	U.S.A.	2 medium size	\$9.5
Bananas	Philippines	1 bunch	\$4
Bananas	Philippines	100g	\$3
Cherries	U.S.A.	500g	\$13.5
Cherries	Uzbekistan	500g	\$10
Grapes:			
- Red Globe	Chile	900g	\$6.5
- House Campbell	Korea	3 bunches	\$7.3
- Delaware	Korea	4 bunches	\$6.5
Grapefruit	U.S.A.	4 medium size	\$7

Kiwi, green	New Zealand	11 medium size	\$17
Lemon	U.S.A.	3 medium size	\$2.5
Mango	Thailand	2 large size	\$8
Melon, oriental yellow	Korea	7 small size	\$8
Oranges	U.S.A.	6 medium size	\$4.7
Tomato	Korea	2kg	\$8
Cherry tomato	Korea	2kg	\$9
Cherry tomato	Korea	100g	\$4
Watermelon	Korea	1 extra large size	\$20
Watermelon	Korea	1 large size	\$18
Watermelon	Korea	1 medium size	\$16

Exchange rate: 1 U.S. dollar = 1,000 South Korean won (estimate)

Source: Survey on June 10, 2011 at a major hypermarket chain store; some discount items included

Table 13: Current Vegetable Prices

Vegetable	Country of Origin	Quantity	Price (KRW)
Bell pepper	Korea	2 pieces	\$2.2
Broccoli	Korea	1	\$1.5
Cabbage	Korea	1 medium sized head	\$1
Carrots	Korea	100g	\$0.4
Celery	Korea	500g	\$1.8
Chinese cabbage (w/o head)	Korea	4 pieces	\$1.3
Chinese cabbage	Korea	1	\$1
Cucumber	Korea	2	\$1.4
Cucumber	Korea	5	\$1.7
Egg plant	Korea	2	\$1.8
Garlic	Korea	30	\$8.9
Hot pepper	Korea	A dozen	\$1.8
Leek	Korea	1 medium sized bundle	\$1.3
Lettuce	Korea	1 medium sized head	\$1.4
Lettuce	Korea	1 medium sized bag	\$1
Mixed greens	Korea	1 medium sized bag	\$2
Onions	Korea	9 small size	\$3.4
Onion (peeled)	Korea	3 medium size	\$1.7
Potatoes	Korea	900g	\$2.3
Potatoes	Korea	100g	\$0.3
Pumpkin	New Zealand	1	\$2.5
Small green onion	Korea	200g	\$1
Spinach	Korea	400g	\$1.5
Sweet potato	Korea	800g	\$5.6
Yams	Korea	500g	\$6.8
Zucchini	Korea	1	\$1

Exchange rate: 1 U.S. dollar = 1,000 South Korean won (estimate)

Source: Survey on June 10, 2011 at a major hypermarket chain store; some discount items included

B. Tariffs and quotas

In South Korea a VAT does not apply to unprocessed food items, such as fresh fruits and vegetables. However, a separate import duty applies to items accordingly.

Table 14: Tariffs and Tariff Quotas for Fruits ³³

HS Code	Commodity Description	Tariff
0803.00.0000	Bananas	30%

0804.30.0000	Pineapple	30%
0804.40.0000	Avocado	30%
0804.50.2000	Mango	30%
	Oranges	
	Grapefruit	
0805.10.0000	}	Quota: 57,017 metric tons; N=50%, M=50%
0805.40.0000		30%
0805.20.1000		Combined quota of these 4 codes: 2,097metric tons; N=50%, M=144%
0805.20.9000		
0805.50.2020		
0805.90.0000		
	Korean citrus	
	Others	
	Limes (citrus latifolia)	
	Others	
0806-10.0000	Grapes (Nov to end of April)	45%
0809.20.0000	Cherries	24%
0810.50.0000	Kiwi	45%

N: tariff within the quota; M: tariff when exceeding the quota

Table 15: Tariffs and Tariff Quotas for Vegetables³⁴

HS Code	Commodity Description	Tariff
0701.10.0000	Potato (seed)	Quota: 1,898 tons; N=0%, M=304%
0701.90.0000	Potato (other: fresh/chilled)	Quota: 18,810 tons; N=30%, M=304%
0703.10.1000	Onions	Quota:20,645 tons; N=50%, M=135%
0703.20.1000	Garlic (peeled)	Quota:14,467 tons; N=50%, M=360%
0704.10.0000	Cauliflower and headed broccoli	27%
0705.11.0000	Cabbage lettuce (head lettuce)	45%
0709.60.9000	Other fruits of the genus Capsicum	Combined quota with 4 other codes*: 7,185 tons N=50%, M=270%

*(0709.60.1000), (0711.90.5091), (0904.20.1000), and (0904.20.2000)

N: tariff within the quota, M: tariff when exceeding the quota

C. Entry Requirements for U.S. Imports

As tariff and volume quota barriers decline, food safety issues often arise and restrict imports. Korea utilizes a “positive list” system for importing fresh agricultural products meaning imports of any product that is not pre-approved in the Korean government regulation is prohibited. Trade of fresh fruits and vegetables are only possible when Korea approves phytosanitary standards of the United States through a pest risk assessment, which can take a considerable amount of time. Many fresh fruits from the U.S., including apple, pear, peach, and berries, are currently banned for imports as there are no phytosanitary import agreements made on these products between Korea and the United States.

The Korean National Plant Quarantine (NPQS) Service site provides online information regarding fresh fruit and vegetable import restrictions and regulations.³⁵ An English version of their site also provides a listing of import permitted regions according to commodity.³⁶

<http://www.npqs.go.kr/homepage2010/english/import/import2.asp>

The Korean NPQS and MIFAFF require a Plant Protection and Quarantine form (*PPQ Form 577*) that serves as a phytosanitary certificate for fresh fruit and vegetable imports. Forms are issued by the USDA and APHIS.

Table 16: Current Entry Requirements for U.S. Fresh Fruits³⁷

Commodity	Entry Requirements	Comments
Avocado	PC ¹	HI, TX, FL prohibited
Banana	PC	Mature banana prohibited
Cherry	PC, MB ²	
Coconut palm	PC	
Grape	PC (ff AD ³)	HI, TX prohibited
Grapefruit	PC (ff AD)	HI, TX, prohibited Grapefruit from Florida should meet the Florida Orange Protocol for Export to Korea [see note at bottom]
Kiwi	PC (ff AD)	HI prohibited
Lemon	PC(ff AD)	HI, TX, FL prohibited
Lime	PC (ff AD)	HI, TX, FL prohibited
Melon	PC (ff AD)	HI prohibited
Orange	PC (ff AD) Mandatory fumigation	HI, TX prohibited Oranges from CA should meet the “CA Orange Protocol for Export to Korea”.
Persimmon	PC (ff AD)	HI, TX, FL prohibited
Pineapple	PC	Underground part prohibited

C. Entry Requirements for U.S. Imports

As tariff and volume quota barriers decline, food safety issues often arise and restrict imports. Korea utilizes a “positive list” system for importing fresh agricultural products meaning imports of any product that is not pre-approved in the Korean government regulation is prohibited. Trade of fresh fruits and vegetables are only possible when Korea approves phytosanitary standards of the United States through a pest risk assessment, which can take a considerable amount of time. Many fresh fruits from the U.S., including apple, pear, peach, and berries, are currently banned for imports as there are no phytosanitary import agreements made on these products between Korea and the United States.

The Korean National Plant Quarantine (NPQS) Service site provides online information regarding fresh fruit and vegetable import restrictions and regulations.^[i] An English version of their site also provides a listing of import permitted regions according to commodity.^[ii]

<http://www.npqs.go.kr/homepage2010/english/import/import2.asp>

The Korean NPQS and MIFAFF require a Plant Protection and Quarantine form (*PPQ Form 577*) that serves as a phytosanitary certificate for fresh fruit and vegetable imports. Forms are issued by the USDA and APHIS.

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Lime	PC (ff AD)	HI, TX, FL prohibited
Melon	PC (ff AD)	HI prohibited
Orange	PC (ff AD) Mandatory fumigation	HI, TX prohibited Oranges from CA should meet the “CA Orange Protocol for Export to Korea”.
Persimmon	PC (ff AD)	HI, TX, FL prohibited
Pineapple	PC	Underground part prohibited

Notes:

1. *PC* = *Phytosanitary Certificate* (PPQ Form 577)
2. *MB* = *Methyl Bromide* fumigation (for 2 hours) is required at the production site; the details of treatment, the place of origin, and “This consignment has been inspected and found to be free of import prohibited pests, *stigmata carpophila* and *Blumeriella Jaapii*” must be included in the additional declaration on the PC.
3. *AD* = *Additional Declaration* must be entered on the PC, “This shipment was produced and packed in an area outside of the quarantine regulated area for fruit flies (Med fly, Oriental fruit fly, Mexican fruit fly, etc.)”
4. *EC* = *Export Certificate* for Processed Plant Products (PPQ Form 578)
5. *Additional Declaration* should be on the PC, “The wheat in this shipment originated in areas of the United States where *Tilletia indica* (Karnal bunt) is not known to occur”.

(*) Florida oranges, tangerines, and grapefruit require the following declaration: “This consignment was produced from areas designated by Florida Caribbean fruit fly Protocol, and as a result of export inspection conducted by the US APHIS, it is believed that the consignment is free of Caribbean fruit fly” shall be included on the phytosanitary certificate issued by the state of Florida, the US.

(**) Korea maintains an import ban on fresh potatoes from many American states, including Wisconsin and some counties in Idaho, due to Pale Cyst Nematode (PCN) risk.³⁹

Section IV. Key USDA/FAS Contacts and Further Information

For further information about the Korean agricultural market, please contact:

U.S. Agricultural Trade Office Seoul	Agricultural Affairs Office, U.S. Embassy Seoul
Korean Address: Room 303, Leema Building, 146-1, Susong-dong, Jongro-gu, Seoul, Korea U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-ATO, APO, AP 96205-5550 Ph: 82-2 397-4188 Fax: 82-2 720-7921 E-mail: atoseoul@fas.usda.gov Internet homepage: www.atoseoul.com	Korean Address: U.S. Embassy, 82, Sejong-ro, Jongro-gu, Seoul, Korea U.S. Mailing Address: U.S. Embassy Seoul, Unit 15550-AgAff, APO, AP 96205-5550 Ph: 82-2 397-4297 Fax: 82-2 738-7147 E-mail: agseoul@usda.gov

For more information on how you can register for USDA/FAS' Supplier List:

The United States Department of Agriculture's Foreign Agricultural Service (USDA/FAS) offers information and services that can be beneficial to both new and experienced exporters. The U.S. Suppliers Service is a searchable database of over 5,000 U.S. exporters and their products, which is used by USDA/FAS to help facilitate connecting potential buyers with U.S. suppliers. This database is used by more than 85 USDA FAS Overseas offices to help export agents, trading companies, importers and foreign market buyers locate U.S. suppliers. It is also used to recruit U.S. exporters to participate in market development activities sponsored by USDA and federal export programs. You can register online for this service at: http://www.fas.usda.gov/agx/partners_trade_leads/us_suppliers_list.asp

For further information about sanitary and phytosanitary requirements, please contact:**U.S. Animal Plant and Health Inspection Service Seoul (APHIS)**

Korean Address:
Room 303, Leema Building, 146-1, Susong-dong, Jongro-gu, Seoul, Korea
U.S. Mailing Address:
U.S. Embassy Seoul, Unit 15550-APHIS, APO, AP 96205-5550
Telephone: 82-2 725-5495 Fax: 82-2 725-5496
E-mail: yunhee.kim@aphis.usda.gov
Internet Homepage: www.aphis.usda.gov

For information about financial supports and export aid programs offered by Strategic Trade Regional Groups, please contact:

Food Export Association of the Midwest USA 309 W. Washington St., Suite 600 Chicago, Illinois 60606 Telephone: 312-334-9200 Fax: 312 334-9230 E-mail: thamilton@foodexport.org Website: www.foodexport.org	Western United States Agricultural Trade Association (WUSATA) 2500 Main Street, Suite 110, Vancouver, WA 98660-2697, USA Telephone: 360-693-3373 Fax: 360-693-3464 E-mail: janet@wusata.org Website: www.wusata.org
Food Export USA – Northeast Region of the United States 150 S. Independence Mall West, 1036 Public Ledger Building Philadelphia, PA 19106, USA Telephone: 215-829-9111 Fax: 215-829-9777 E-mail: jcanono@foodexportusa.org Website: www.foodexportusa.org	Southern United States Agricultural Trade Association (SUSTA) 2 Canal Street Suite 2515, New Orleans, LA 70130, USA Telephone: 504-568-5986 Fax: 504-568-6010 E-mail: jim@susta.org Website: www.susta.org

Notes

¹ Sangyong Oh, *Retail Foods Sector Biennial Report*, United States Department of Agriculture Foreign Agriculture Service, 15 Feb. 2011, Global Agricultural Information Network, 3 June 2011, <<http://www.fas.usda.gov/>>.

² Euromonitor International, *Export Market Development Report: Oranges, Mandarins & Tangerines in South Korea*, 1 Jan 2011, Euromonitor Global Market Information Database, 5 June 2011, <<http://www.portal.euromonitor.com/>>.

³ Oh, 29.

⁴ Oh, 32-33.

⁵ Office of the U.S. Trade Representative (USTR), *Annex 2B Tariff Schedule of Korea*, 2010, <http://www.ustr.gov/sites/default/files/uploads/agreements/fta/korus/asset_upload_file786_12756.pdf>.

⁶ Euromonitor International, 4.

⁷ Euromonitor International, *South Korea Fruit Market Sizes*, Euromonitor Global Market Information Database, 26 May 2011, <<http://www.portal.euromonitor.com/>>.

⁸ Ministry for Food, Agriculture, Forestry, and Fisheries (MIFAFF), *Statistical Yearbook 2010* (Gwacheon: Director General Planning & Coordination Bureau, 2010), 118-119.

- ⁹ MIFAFF, 118-119.
- ¹⁰ KREI, 355.
- ¹¹ The Korea International Trade Association (KITA), *Statistics by specific commodity*, Korea Trade Statistics Database, 27 May 2011, <<http://www.kita.net>>.
- ¹² Euromonitor International, *South Korea Fruit Market Sizes*
- ¹³ Korea Trade Statistics Database, fresh orange imports.
- ¹⁴ Euromonitor International, *Market Development Report: Oranges, Mandarins & Tangerines in South Korea*, 5.
- ¹⁵ USDA/FAS, *Korea Trade Agreement Benefits for Agriculture*, 3.
- ¹⁶ United States Department of Agriculture Foreign Agricultural Service (USDA/FAS), Mar 2011, *US-Korea Trade Agreement Benefits for Agriculture*, USDAFAS, June 4 2011, <<http://www.fas.usda.gov/itp/KoreaTA/KORUS%20Detailed%20Fact%20Sheet%2003-11.pdf>>.
- ¹⁷ Korea Trade Statistics Database, grapefruit imports.
- ¹⁸ Korea Trade Statistics Database, lemon imports.
- ¹⁹ Korea Customs Office, *Tariff Schedule 2011*.
- ²⁰ Korea Trade Statistics Database, grape imports.
- ²¹ Korea Trade Statistics Database, cherry imports.
- ²² Korea Trade Statistics Database, kiwi imports.
- ²³ Euromonitor International, *SK per capita expenditure on vegetables*, 1 Jan 2011, Euromonitor Global Market Information Database, 26 May 2011, <<http://www.portal.euromonitor.com>>.
- ²⁴ MIFAFF, 118.
- ²⁵ MIFAFF, 104-117.
- ²⁶ KREI, 199.
- ²⁷ Euromonitor International, *Foreign Market Imports: Edible vegetables (07)*.
- ²⁸ Office of the USTR, 14-15.
- ²⁹ Euromonitor International, *Export Market Development Report: Potatoes in South Korea*, 1 Jan 2011, Euromonitor Global Market Information Database, 24 May 2011, <<http://www.portal.euromonitor.com>>.
- ³⁰ Korea Trade Statistics Database, fresh potato imports.
- ³¹ Korea Customs Office
- ³² KREI, 196.
- ³³ Korea Customs Office
- ³⁴ Korea Customs Office, Korea Customs Tariff Database, < <http://english.customs.go.kr/>>.
- ³⁵ National Plant Quarantine Service (NPQS), <www.npqs.go.kr>.
- ³⁶ NPQS, *Rules To Follow*, <<http://www.npqs.go.kr/homepage2010/english/import/import2.asp>>.
- ³⁷ NPQS, 2-36.
- ³⁸ NPQS, 19.
- ³⁹ Oh, *Retail Foods Sector Biennial Report*, 37.